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Macdonald, James Horsburgh

Mr. George Combe's doctrines on the currency...

London

1856

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MR. GEORGE COMBE'S

DOCTRINES

ON THE

CURRENCY QUESTION,

EXAMINED AND REFUTED,

BY

LIEUT.-COLONEL J. H. MACDONALD.

"MONEY EXISTS NOT BY NATURE BUT BY LAW."

Aristotle.

LONDON:

RICHARDSON BROTHERS, 23, CORNHILL.

EDINBURGH: BELL & BRADFUTE.

1856.

From the "TIMES" (City Article) of March 4, 1856.

"A SERVICE has been rendered to the commercial public, and to all persons desirous of obtaining a concise exposition of the principles and operation of the Bank Charter Act of Sir Robert Peel, by the republication, as a pamphlet, of the series of articles on 'The Currency Question,' recently contributed to the 'Scotsman' newspaper by Mr. George Combe. Its great merit is, that it supplies the want, constantly felt by many intelligent persons, of a concise and logical statement, to save them from wading through the mass of contradictory treatises daily poured forth upon the subject, and commonly supposed by modest inquirers to be profound in proportion as they are incomprehensible. No such work has hitherto been attainable. Lord Overstone, to whom Sir R. Peel was indebted for the philosophy upon which he acted, has expounded from time to time the entire principles of the system; but his writings, together with those of Mr. Norman, Colonel Torrens, and Sir Charles Wood, have appeared at intervals, as the necessity of the occasion demanded, and not in a collective form so as to be available for the uninstructed reader, desirous for the first time of grasping the argument as a whole. Mr. Combe's pamphlet fulfils, in this respect, everything that could be required; and, to their surprise, it will show many who have been deterred from the topic by regarding it as something only to be mastered by the experience of a life, that it involves nothing but what may in half an hour be comprehended by any mind free from the incurable hallucination, that there is some method for Governments to create at pleasure 'a sufficient supply of the circulating medium.' It will at the same time, until its broad and simple doctrines shall have been controverted, leave no excuse for those who may continue to trouble the community with incessant effusions on the matter, indicating nothing except a unanimity of disagreement, and that the maze in which each struggling theorist is lost, is an independent one of his own creation."

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23 June 1919 Dnw

THE CURRENCY QUESTION.

From the laudatory article quoted above, it would appear that Mr. George Combe is the accepted mouthpiece of the authors and advocates of the Bank Charter Act of 1844. The desultory writings of Lord Overstone, Mr. Norman, Colonel Torrens, and Sir C. Wood, on the Currency Question, now find, according to the "Times," a collective form and complete embodiment in a series of articles in the "Scotsman" newspaper, from the pen of Mr. Combe, and which are now reproduced in the form of a pamphlet. This *brochure* may therefore be taken as a complete exposition of that side of the question, and as containing the whole marrow of the argument, and beyond which nothing more can be said. "Mr. Combe's "pamphlet fulfils, in this respect, every thing that could be re-"quired," quoth the "Times," and in the concluding words of his laudation, the writer of the article vauntingly challenges the world at large to controvert its "broad and simple doctrines." And as Mr. Combe has placed this article in the "Times" at the head of his pamphlet, he plainly adopts this challenge, and therefore must not be surprised to find it accepted; and that there are actually some men living, who have the audacity not only to doubt his invincibility on this question, but even to deny that he rightly understands either the true nature of money or the principles which should govern a proper system of currency.

I freely admit the great ability with which the doctrines of Mr. Combe are advocated; but the doctrines themselves are unsound and fallacious. The mode of reasoning is exceedingly subtle. Mr. Combe assumes certain premises as those of his adversaries, and then, both by reasoning and by facts, exposes the monstrosity of these creatures of his own imagination, while the tone of candour and thorough genuineness in which the whole subject is treated is eminently calculated to carry the general reader along with him. As a specimen of sophistical writing, these articles from the "Scotsman" are only excelled by some of those talented leaders which occasionally appear in the columns of one of our most influential daily journals. So strongly was I impressed with their dangerous tendency to mislead, from the false logic in which the whole of the arguments are clothed and the true nature of the question concealed, that when the first appeared as a reprint in the "Times," I wrote to the "Morning Herald" to that effect, and attempted in my letter to refute the arguments contained

in the article. That letter will be found appended to this pamphlet.

I shall now proceed to notice seriatim the articles which compose Mr. Combe's pamphlet. He begins with a very loose, if not a false definition of the word "currency," as applied to the money medium of exchange. If Mr. Combe means what his words signify, that a currency is something that *all persons shall* consent to use as a medium of exchange, then I affirm that there is no such thing as a currency. There is no one thing, that I am aware of, which "all persons" have consented so to use. Mr. Combe will find, on reflection, that "a currency," in the true sense of the term, is a national thing; something recognised and acknowledged at once as the legal representative of value, and on that account passes freely from hand to hand, without further examination, in the country to which it belongs, but *only in that country*. The currency of England is not currency in France, nor is that of France current in England, India, China, or America. Mr. Combe next informs us, that the currency is called a "standard of value," because "the price of every commodity bought and sold is measured "by it." Had Mr. Combe said it was absurdly called a "standard "of value," he would have done some service to the cause of truth. To speak of any commodity as a "standard of value," when the value of that commodity can only be estimated or measured in other commodities, and must therefore vary in common with all those under the great natural law of supply and demand, is to exhibit perfect ignorance of the true nature of value. And the fact of there being no such standard is clearly proved by Mr. Combe in his next sentence. "Prices," says he, "are said 'to rise' when "we *must give an increased amount of currency for the things* "*bought*, and 'to fall' when we obtain them *for a smaller sum*." Thus clearly shewing that the things exchanged for the currency are as much a measure of its value as it is of their value. We hear the phrase "a measure of value" continually applied to gold, but I have never yet found any one attempt to describe the process of this measurement. Will Mr. Combe be good enough to do this? *

Mr. Combe next proceeds to divide buyers and sellers into two classes, namely, our own people and those of other countries; and he then correctly asserts, that among ourselves anything might be used as currency in which we all have confidence, "no matter "whether it be gold, or paper, or couries." "But," he adds, "it "must not be anything that may be increased or diminished in "quantity *arbitrarily*, because the prices of commodities will fluc- "tuate as its quantities are varied." Herein I most entirely coincide with him; and it is on this very ground, namely, the *arbitrary fluctuations* in the quantity of the "thing" we have selected for

* A Letter will be found in the Appendix explanatory of the real functions of money, and how employed as a measure of value.

our currency, that I am so strongly opposed to gold being that thing, and denounce the existing currency as the very worst we could have, and most earnestly advocate the adoption of some other "thing," the quantity of which we shall be better able to regulate. From the fact of gold being very generally required for two purposes,—one as merchandize, as a mere metal,—to be sold in the markets of the world like other commodities for the money or currency of the several countries in which foreign commerce is carried on—and the other as our currency or the medium of exchange,—it becomes utterly impossible to keep the *quantity* required for the work of the currency at all steady or uniform. This is continually and often widely and violently fluctuating, and in the most arbitrary manner, being entirely at the will and pleasure of any and every member of the community, as well as at the mercy of the foreign trader. The Government of the country, every merchant and speculator, every bill-broker and dealer in the exchanges, is at liberty to increase or decrease the quantity of our currency, by draining away at their pleasure, and for their own personal advantage, the "thing" of which our currency is composed. And these pernicious fluctuations are forcibly encouraged by our determining by law that gold shall be always bought and sold at the Bank of England at a fixed price; so that whenever the supply exceeds the demand in other countries, and an ounce of gold can be bought for less than the equivalent of £3 : 17 : 9 in the money of those countries, speculators and others import it to this country, where they know they can obtain a fixed amount of English money, with which they purchase more of our goods than they could have obtained for the gold in their own countries; and they can continue this traffic, with a profit to themselves, so long as gold is cheaper abroad than in England. And on the other hand, when from these operations gold becomes dear abroad from the reduced supply, and more of other things can be obtained for it in foreign markets than in our own, these same parties at once resort to the country whose philosophers have determined that gold shall be exempt from the natural law of supply and demand, and therefore shall never alter in its money value or price. The trader and speculator, therefore, buys, with ten ounces of the dear gold in foreign countries, goods which they sell in England for English money, sufficient to purchase at the Bank of England (now the cheapest gold-shop in the world) eleven or twelve ounces of gold, which they carry back with them to repeat the same operation, until the want of currency in England, from this drain of gold, enables them to return to the opposite course.

Every ounce of gold that leaves our shores of course decreases the quantity of our currency, as the import of it increased this, causing the very derangements in the prices of commodities which Mr. Combe so wisely deprecates.

The problem, therefore, as Mr. Combe very truly observes, "is "to find a thing *which cannot be thus arbitrarily increased and*

" *diminished in quantity*, and also one in which we shall have per-
" fect confidence."

Can we then devise nothing that shall be less arbitrarily at the mercy of the whole of the great capitalists and speculators of the world, who now play with your little bit of gold capital, which you have selected for your currency, as a child with a shuttlecock, tossing it here, there, and every where, as they find the game most advantageous to themselves? If this pamphlet of Mr. Combe's proves any one thing, it is, that we must send gold abroad as an article of merchandize; or, as he supposes, as money to pay debts to foreigners, and thereby he as plainly proves that great and arbitrary fluctuations in the " thing " we have selected for our currency must be the consequence.

Mr. Combe concludes the paragraph I have been commenting on in these words: " If, therefore, we select paper as our sole in-
" ternal medium of exchange, it should be a paper which shall not
" arbitrarily vary in quantity, and which shall also be received as
" of the same value from Caithness to Devonshire, and from Lon-
" donderry to Limerick and Cork;" and he asks, " Is this what
" the Chamber of Commerce desire Lord Palmerston to supply?
" If so, why do they not tell him how to find it?"

But surely a paper currency can be provided for internal trade and other home purposes which shall be far less exposed to arbitrary alteration in quantity than the commodity gold, and one which would also circulate from one end of the country to the other with as perfect confidence as the sovereign itself? Unfortunately, Mr. Combe has no notion of any kind of paper currency beyond the Bank note, the promise to pay of a few individuals! But nothing can more clearly prove the apathy and ignorance on this question than the fact of our still continuing a system of currency having its origin in times altogether different from the present. That the receipts for gold and silver lodged with the wealthy goldsmiths, Lombards, and other wealthy money dealers should in former times have passed from hand to hand amongst those who had confidence in their wealth and honesty, and so performed the work of currency, is not surprising; but to establish the currency of the whole nation, of a great commercial country like ours, upon the same basis, is miserable policy. To allow the legal tender and the great bulk of the circulating medium of the nation—that which professes to complete payment and to close transactions between individuals—to be composed of the mere *promises to pay* of a few private individual members of the community, exposed, as they often must be, to doubt and suspicion, the seeds of all monetary confusion and panics, is a most lamentable display of ignorance. Arguing under the impression that this semi-barbarous system must continue, Mr. Combe asks if it is desired that the quantity of paper currency shall be increased *ad libitum* by those entrusted with supplying it, and what things are proposed to be taken as securities from those to entrusted; and adds, " let it be borne in mind that the **Bank note**

" is a *promise to pay* so many pounds on demand." And he goes on to enquire " how notes issued against securities, other than gold, " can ever be paid." Now, it were a very easy matter to show Mr. Combe that the articles he enumerates, " land, houses, mills, " machinery, colonial produce, pig iron, Government Stocks, &c.," can be made just as effectual in redeeming promises to pay £ sterling as the one other commodity gold, which can *itself* no more satisfy any of the wants of man than pig iron, machinery, or Government Stocks. But I reject the whole system which thus leaves the national prerogative of providing a paper currency for the use of her people to some few individuals, and submits to have her payments made in their mere *promises to pay*.

The legal money of a nation is really a State warrant for so much wealth, and authorises the holder of it to possess himself of this, in whatever commodity he pleases, to the value specified in the order. The error into which Mr. Combe and many others have fallen on this subject lies in their looking upon money, the currency, as something in itself valuable as satisfying man's wants, instead of as a mere middle thing between that which is given for it and that which is obtained by parting with it. As this medium is valueless unless it be parted with, it must signify very little of what material it is made, so long as it effectually answers the purpose for which it is intended, namely, to enable individuals more readily to exchange portions of their own labor, or its fruits, for portions of the labor, or its fruits, of others. All that has to be guarded against is, that these tokens of value, called the currency, (and a sovereign as such is nothing more but a token), shall always prove effectual in obtaining for the holder of them that portion of value which they represent in any or all of those articles of use and enjoyment which he really desires, and which they are intended to secure to him. No one really requires gold in exchange for his money, except the goldsmith and those who want to export it as merchandise. And although I consider it highly desirable, so long as individuals are permitted to issue paper currency in the way they now are, without security, that some such check upon over issues of worthless paper should exist as that of making them payable in gold on demand, yet it is only a palliative to a wretched system; and if we cannot devise some more enlightened and sound system of national currency than our present, then by all means keep tight hold of that very insufficient safeguard, redemption in gold. But we want a system which shall confer still greater security and stability to our national money, and this we might devise without any such difficulty as Mr. Combe supposes, were the subject only a little better understood. Mr. Combe's difficulty, as expressed in p. 7 of his pamphlet, is to find something in which Bank notes, or " promises to pay," shall be payable, and which every body can use again as currency; and further, to know how the arbitrary increase of the paper currency can be prevented. But, as I have said, we must have done with the mere promissory

notes of individuals as our national currency, if we would advance one step towards a more perfect system. The currency of the realm should be made a really national thing, and be provided, in a sufficient and effectual manner to meet the wants of the community, by the State itself. State notes, based upon the very same security as that which guarantees the possessors of Consols in the sum of £800,000,000, should be provided under the authority of Parliament to the extent of the annual taxation. These notes should be constituted the sole legal tender, and should be used by all bankers, who must lodge with the State securities in the shape of Government Stock to the extent of £100 Consols for every £100 of State notes.* And I ask Mr. Combe, What could ever shake public confidence in this national paper currency? and whether it would not be much less liable to *arbitrary* change in quantity than gold? Could any sane man want confidence in these Government notes, or hesitate to receive them, absolutely necessary as they would be to commercial operations and all interchanges of commodities, and, consequently, in great and constant demand by all who had any thing to buy or sell? Because the Americans, according to Mr. Combe's showing, adopted a false and senseless system of currency, and which he parades so triumphantly and argues as if our whole object were to introduce into this country something equally extravagant and delusive,—because the national currency of this country, after the Restriction Act of 1797, was established on a wrong principle and attended with many grievous results, in consequence of the State not taking the control of the issues into their own hands, but allowing every individual who chose to issue his promises to pay *ad libitum*,—and because hitherto paper currency has been frequently abused by absolute rulers,—must it necessarily follow that no system can be devised by which it shall prove a safe and effective, as well as a most convenient and economical medium for exchanging one portion of national wealth for another portion; and, at the same time, free us from the great evils arising out of those arbitrary changes in the quantity of our circulation, caused by the general use of gold as an article of merchandize?

Nothing can be more worthless as an argument against a sound national paper currency, or in favor of our existing lame and iniquitous system, than long details of the follies of our brethren in the far west, however graphically told. The system described by Mr. Combe, as adopted by the Americans, was simply ridiculous. The notes he speaks of were not currency at all, for, by his own statement, they *were not current*—they would not circulate as the representative of wealth. To use a common but expressive phrase, they would not go, and were a very fair specimen of that impossible thing, an "inconvertible currency." I therefore

* In the Appendix will be found some excellent suggestions for the establishment and regulation of a national paper money, contained in a petition from the Monetary Reform Committee of London to the House of Commons.

reject as wholly worthless of consideration all that Mr. Combe says regarding his American experience. When it is proposed to adopt a similar system in this country, it will be time enough to hold up the laughable picture of "Jonathan" and his notes before us. Nothing can display greater ignorance of what the wealth of a nation is really composed, than to suppose that a great issue of paper money and high prices adds to it. But next to this is the ignorance of those who assume that gold alone is wealth, and that a man is never really paid the value of his Bank note, whatever be the articles he may obtain for it, until he gets gold, which no man wants; and that the only security for a paper currency, is one solitary article—the metal, gold.

In his second article, Mr. Combe attempts to apply the case of "Jonathan" to this country, but without a shadow of reason for doing so. He says, that because "Jonathan" found that Bank notes secured on property situated in one State did not command confidence in another, Bank notes secured on Scotch property would not command confidence in England and Ireland, and vice versâ. But there is not the least analogy between the two cases. These American States were independent of each other,—each making its own laws, each having its own currency, regulated by its own enactments, as Mr. Combe himself informs us. "Some of the "States," says he, "passed acts by which a public comptroller "was authorised to take from any individual or association of "persons wishing to issue Bank notes, pledges of State Stock, &c." This plainly shows that each State acted as an independent nation in this matter, and had its own currency. And although Mr. Combe asserts that Britain consists of different kingdoms as America does of different states, it is really no such thing. Great Britain and Ireland make one kingdom, and as Great Britain includes Scotland, all are under the same laws, and subject to the same rule and government. Therefore what is legal tender in one part of the kingdom must be so in another. Consequently, a proper national note circulation must command as much confidence in Scotland as in England or in Ireland. But let Mr. Combe now try one of his Scotch notes *payable in specie* in a shop in London, and tell us the amount of confidence gained for it by its being so payable! Mr. Combe seems to suppose that it is only necessary that a Bank note should *profess* to be payable in gold to render it at once current throughout the world. But this is either great ignorance or a gross delusion. He says that nobody in Europe would take the American notes in payment of balances due by them; and adds, "in a similar way "Bank notes not payable in gold but secured on property situated "in Great Britain, would not be received as currency in France, "Germany, the United States, Italy, India, China: the notes of "the Bank of England are now received by the money-changers "and the bankers of the continent *only* because they are payable "in gold."

But whoever heard of English Bank notes being received as

currency in the countries above enumerated, or who would ever wish to have it so? A currency, as I said before, is a *national thing*, and intended solely for *domestic uses*. And each nation has its own currency for that very purpose. And the greatest evil that can befall a nation is to have its currency subject to be carried off by the foreigner for purposes of his own. The strongest reason for advocating a paper circulation for home trade is, that the foreigner and speculator would have no inducement to carry it off, and therefore we should escape those *arbitrary* derangements in quantity which are so injurious to prosperity, and which Mr. Combe so properly deprecates. It is because our currency is made of a metal continually liable to be carried off to other countries, that many thinking men are anxious to substitute some other material. Mr. Combe concludes this most inconclusive paragraph with the following extraordinary assertion, "When, therefore, Britain owed a balance "to these nations, or wished to buy from them at a time *when they* "*did not desire to buy from her*, if she had nothing to offer them "except Bank notes, not payable in gold, but only secured on "British property, her commerce with them would come altogether "to a close." I candidly confess this sentence somewhat puzzles me. I cannot, for the life of me, see how there can be any other result than a cessation of commerce, when these nations no longer desire to buy from us, whether our Bank notes were payable in gold or not. They must buy something from us or there can be no commerce; and if they "do not desire to buy anything," how would it mend the matter were our national notes payable in gold? We surely do not want them to buy our currency, for we want that for a special purpose at home? We want other nations to buy our produce or commodities with theirs, and if they do not want these, there must be an end of commerce, for the commerce of nations consists alone of exchange of products. Can Mr. Combe really suppose that the currency of a nation has any concern with her foreign commerce? or that a balance due by a merchant in England to one in France, or America, is paid in English currency? The whole passage is a cloudy one, and exhibits a remarkable confusion of ideas concerning foreign commerce. This consists simply of bartering our home produce for foreign produce; the medium used in this work being bills of exchange, the currency of the respective countries having nothing whatever to do with this trade. If an individual has a debt to pay in a foreign country, whether he be a merchant or not, he does not want the currency of his own country to pay this debt, but *the currency of the country where it is owed*, and he must, therefore, send something to buy that money for this purpose; and therefore to pay a debt owing in a foreign country in no way requires the currency of either country to be withdrawn from its legitimate functions, namely, home payments.

Mr. Combe next tells a long story of American difficulties; how that they owed a large balance to Europe, where their bank notes were of no avail, *because* they were not payable in gold. That

"Jonathan" sent the bonds of his States in payment, which were taken freely for a time. But why? why were these taken more than the notes? they were no more payable in gold than the latter. Was it not because they were guaranteed by the State? But even these ceased to be bought, which did not say much for the confidence in "Jonathan's" good faith! "Then," says Mr. Combe, "the mer-"chants besieged the bankers for gold to send to Europe, to pay their "debts." But why could they not have sent flour, or cotton, or tobacco? these would sell for English money in England, and for French money in France, as well as the commodity gold; and it was the money of these nations that was required to pay any debts owing to these countries, and not the currency of America, even though her notes had been payable in gold. For had such notes been sent to England or France for the purpose of paying a debt, they must have been sold like any commodity for the currency of the country where the debt was owing before it could be paid.

Mr. Combe concludes his account of American unwisdom by asking, "Shall this example, and all the demonstrated conclusions "of the profoundest thinkers, and most experienced practical men "in Parliament and out of it, tested during half a century, be "abandoned?" I can only reply, emphatically, most certainly! let us abandon all such bad examples! As to the "demonstrated "conclusions of the profoundest thinkers," I ask, where are they? Was the late Sir R. Peel, or his father, the profoundest thinker and most practical man on this subject? Has not all come true which the first Sir Robert foretold?

But now for Mr. Combe's explanation of the present exorbitant charge for the use of the mere medium of exchange,—that symbol of wealth required but to facilitate the interchanges of our real wealth. He says, and truly, "that the demand for gold has been "wholly for exportation. And this demand," he adds,—and here he is wrong,—"cannot arise unless England is in debt to the countries "to which gold is sent." This is a piece of the old fiction which has so long blinded the people of this country. It is directly opposed to the evidence before us to assert that the gold has been exported to pay debts in other countries. It has been bought up, as any other commodity would be for which a greatly increased demand had arisen. Owing to the war in the East, gold has become in great demand. Russia, France, Turkey, and ourselves, all want more gold than we did two years ago, as being a most convenient commodity for transmission to the seat of war, to be exchanged for necessaries for the troops. This enhanced demand has the same effect upon gold as upon any other commodity. Despite our folly in trying to fix its value, it raises the value of it in relation to other things; more of these will accordingly be given for it abroad, where it is permitted to operate under the law of supply and demand; but in England, the price being fixed, the foreigner and others find that while they must give more of other

commodities abroad for gold than formerly, the price remains still the same in this country, and therefore gold is sent away instead of our goods, in exchange for foreign produce. The merchant buys in the cheapest market, and sells in the dearest he can find. Again, if we look to what has been occurring for months, under our own eyes, we shall soon feel satisfied that it is not only to pay debts abroad that gold is carried off from this country. Ship after ship has arrived in our ports with gold, yet, much as we required it for our own wants, we could secure none of it, either to pay our debts abroad, or to ease our money market at home. The Bank could only give £3 : 17 : 9 an ounce for it, while the agents of the Bank of France offer a hundred francs, and the offer is very naturally accepted.

I altogether deny that the great drain of bullion from this country has taken place from our merchants having sent it abroad to *pay debts*. But even admitting that such were the case, would it not form one of the strongest reasons against making our home currency dependent upon a metal so much in request as an article of merchandize, and which we, therefore, find it impossible to retain as our money? Because it may be necessary to send a portion of the commodity, gold, out of the country to pay debts due by merchants, or to be exchanged for food and other necessaries for our armies in the field, must we be deprived of that all-essential thing to national prosperity, our currency—our home-medium of exchange? Is this not as necessary to carry on the internal trade of the country after a few ounces of gold has been exported as before? It would surely be considered a very unreasonable proposition to insist upon a decrease of the circulating medium, because a certain quantity of iron, coals, or calicoes, had been sent out of the country? And in what respect does the metal gold differ from the metal iron, except in one circumstance, that we have selected it for our currency? And when that is carried off as a metal, is it less unreasonable to assert that we have no remedy, but to hang down our hands and heads for want of a currency, and await it patiently the return of that one article of wealth? Can this be acting like an enlightened people? I think not. And then, what is the process advocated by Mr. Combe, by which this evil is to be remedied? let Mr. Combe explain it. "The contraction of the "currency will cause the prices of goods to fall at home, the "consequences of which fall will be increased purchases by "the foreigners in our markets, and the balance of trade will turn "in favor of England, after which gold will return." * The meaning of this is, that the foreigner when he finds gold falling in value abroad, brings it to England, where he can always obtain £3 : 17 : 9 an ounce for it, in English money, and, owing to the fall in prices,

* "If this were the only mode in which the present currency system enabled "them to get back gold, he could only say that a more rude, barbarous, he had "almost said brutal system, could not be imagined."—*See Speech of Mr. E. S. Cayley, M.P., Feb. 26, on Mr. Muntz's Motion.*

most unjustly caused by our philosophic law, purchases half as much again of our goods as he could have done at the time when prices were higher, and when it was, therefore, his interest to carry off our gold. And who suffer by this fall of prices? The producers of commodities, to be sure, and all the labouring classes dependent upon them, and whose wages really consists of a portion of these goods. And why are prices thus forced down? Simply to uphold a preposterous theory, that money—the currency—can neither be money or currency, unless we can always buy with it a certain fixed quantity of one article—gold: a thing which but one man in a hundred thousand wants at all, except it be in the shape of a ring or chain! And who benefits by this "fall in the price of goods "at home," at the expense of the producers of these goods? why, Mr. Combe, myself, and all others with fixed money incomes. The same amount of money pounds is still paid to us, and we have the gratification to find that, owing to the departure of gold, and consequent fall in prices,—in other words, the dearness of the money remaining in the country,—three-fourths of our incomes will now procure as much of all the goods we require, as our whole income did, before the flight of gold and fortunate fall in prices!

Yes! the whole system is a most crushing one for the great employers of labour,—the producers of goods, and, consequently, destructive of the comfort and independence of the labouring classes, our toiling and ill-paid brethren!

There cannot be a doubt that the gold-money system is a most beneficial one to the wealthy money-paid classes. It works to perfection in "causing the prices of goods to fall at home," and thus most iniquitously robs, according to law, all those who have to buy this now dear money with their low-priced goods, to pay it again in rent and taxes, interest on mortgage, &c., to the money-paid classes generally. For what is this operation but only placing more of their goods in the possession of the money-paid classes, in proportion to the increased amount of those goods given to purchase the £ sterling? And in total ignorance of the real cause of all this evil and injustice to the great body of the people, Mr. Combe placidly observes, "as no mortal power can avert this sequence of causes and "effects," it is inconsiderate, and most injurious to the welfare of the country to say anything about it! But might we not as well put a pistol to a man's breast, or hold his head under water for ten minutes, and when life was extinct, argue that no "mortal power "could avert the sequence of cause and effect?" Does Mr. Combe pretend to say that money—the currency—is a natural production, and operates entirely under natural laws, and altogether beyond man's control? Surely, the very contrary is the fact. A currency machine is as much an invention of man, as a watch, or a steam-engine, and is no more found in nature than they are; and even Mr. Combe will scarcely assert that these machines operate by natural laws alone, and are beyond man's control?

Were exchanges carried on solely by simple barter, and without the aid of any invention of man to facilitate them, the law of supply and demand would entirely regulate the relative proportions in which one article would be exchanged for another. But when all exchanges are effected by means of a medium machine, a representative of all articles of wealth, and when all things *must* be exchanged for that medium before the owner can obtain the articles he really wants in exchange for his own, it must be evident to the meanest capacity, that if you allow the substance of which that medium is composed to be carried off, and no other be substituted, the demand for the reduced quantity of this essential engine will increase, seeing that neither the people nor the articles to be exchanged amongst them have decreased. The consequence is plain; the same necessity for this medium, coupled with its scarcity, will induce men to offer more of their goods, than when it was more abundant and those whose incomes consist of a fixed sum of this medium, will, consequently, obtain more of all these things which constitute wealth. But shall we attribute this result to a law of Providence? Could not the same mortal power which devised the gold currency machine, devise one of some other material, on the gold one being abstracted? And are not those, who have the power, bound to do this, or bear the blame of bringing upon the country those terrible evils, which arise from her being left without a currency? All those desolating panics which have periodically swept over the fair scene of England's prosperity, since Peel's Act of 1819, have arisen solely out of the ignorance and folly of human legislation. We cannot suffer the culpability to be so lightly shifted to other shoulders, and the whole of these evils attributed to Providence. The work is of man alone! Because we make a foolish decree that the amount of our currency shall depend upon the quantity of one very scarce metal, and on that alone,—that however great our wealth, and however numerous the exchanges required in the distribution of that wealth, unless we have so much gold in the Bank of England's cellars, we must do without a currency, the wealth must stagnate and production cease! Without gold, no currency; without a currency, no trade or industry; without trade and industry no production!—so says the oracle which Mr. Combe delights to honour. Such is the cheering prospects opened up to us by our existing monetary system, the broad and simple doctrine of which Mr. Combe has undertaken to expound! But however charming and profound the system may be, it is after all only a human one, and we must not delude ourselves into the notion that its life-giving laws spring from a supernatural source and are totally beyond moral control.

Mr. Combe next calls upon us to learn from him the advantages of gold as our currency, and these he states in detail. "1st. It "cannot be increased in quantity arbitrarily." This I have already shown to be a profound fallacy. There is no other commodity which varies so widely or so arbitrarily as this very metal; and the

whole of Mr. Combe's pamphlet goes to prove this in his endeavour to prove the absolute necessity for our merchants to send gold abroad to pay their debts. It is these very fluctuations, so arbitrary and often so violent, and which disturb so frequently the even current of commerce, that require us to substitute some other *material* for our currency, which shall not thus tempt the speculator to carry it off as goods, nor be at the mercy of every man who thinks he can make a profit by sending it abroad.

The second advantage of a gold currency, according to Mr. Combe, is, that "it is accepted as a standard of value and as a *medium* of "payment by all trading nations, foreign and domestic." But surely gold might still remain all this without being made into our home currency? And the very ground on which Mr. Combe supposes this advantage to exist, is the strongest objection to gold as that currency. Its being "accepted as a standard of value by all "nations," is too absurd to require notice; and the second ground named by Mr. Combe, namely, its acceptance by all nations," foreign "and domestic, as a medium of payment," forms the very strongest objection to our being made dependent upon such a material for our internal circulation. For it must be clear to any capacity, that if gold is thus sent abroad as a medium of payment to all nations, we cannot have it at home as currency, and must, therefore, either be prepared to do without a currency sometimes, or substitute something else to perform its functions. And great though the evils be, consequent upon the drain of our currency abroad, how small, after all, is the extent to which it is used as a medium of payment to foreign countries. The commerce of England would indeed be reduced to a miserable affair, if it were limited to the two or three millions paid for in gold. Moreover, Mr. Combe seems to forget, that we must buy this very gold before we can send it in payment elsewhere, and with what do we pay for the gold in the first instance?

The third advantage of a golden currency, enumerated by Mr. Combe, is this; "while held as a security for paper issues, "it yields no return itself, and thus removes the temptation to "increase the issues for the sake of double profits, first, the "revenue of the security, and second, the interest on the notes "issued." And, certainly, Mr. Combe must have been hard pressed for an argument in favor of a gold circulation, when he had recourse to such an objectless advantage as this. First, we make our currency of gold, or rather pretend to do so, and being unable to carry out our purpose, allow a few individuals to issue promissory notes as currency, and then endeavour to palliate the evil of this system, by requiring these parties to keep a certain proportion of gold to the amount of notes issued by them, in pretence that they are all payable in gold on demand, and gravely tell us that this is one of the "advantages derived from "the use of gold as currency and as a security for bank issues."

But is not the whole affair a big sham? When did the mere fact of a banker having to keep gold in his strong chest, prevent his issuing notes to a good customer on the same securities as would have been accepted before the law compelled him to issue his notes against gold? Bankers are reasonable beings, and are quite awake to their own interests, and are therefore not likely to lightly lend the notes which they issue against their capital, although that capital may consist of Government Stocks yielding a profit, than they are those issued against gold in their strong chest, and bearing no interest. As to the gold being any safeguard against bad banking or against dishonesty, either in individuals or joint-stock companies, the disclosures of 1847, in the one case, and what has just transpired lately in England and in the Sister Isle, sufficiently disprove.

But are these all the advantages that can be brought forward in favor of a gold and promissory note national currency? Can nothing more be said by this bullionist champion to justify the use of a material, against which so many weighty objections have been made? Truly the case is even worse than I imagined. For what are all these pretended advantages of Mr. Combe when weighed against even a few of the enormous evils arising out of our use of this metal as our home currency. The vast expense to the nation in purchasing this most costly material for our currency machine; the constant and sometimes great fluctuation in the quantity of our circulating medium, arising out of the jobbing of speculators in gold, and other circumstances,—at one time being sufficient to admit of a free exchange of wealth, and thus encourage production; at another time paralyzing industry from an utter insufficiency of the exchange medium, and sometimes, as in 1847, destroying the fortunes of hundreds of perfectly solvent merchants and others, from sheer impossibility to obtain the mere representative of their wealth to meet certain liabilities falling due,—because the metal of which we make our money had been sent abroad as merchandise to be exchanged for corn; and, lastly, the impossibility of keeping this metal at home as currency while it remains in the market as commodity in great request for exportation, render it one of the most objectionable materials of which to make an engine so essential to national happiness and prosperity as the currency of the country.

Mr. Combe next proceeds to charge the Edinburgh Chamber of Commerce with ignorance of the currency question, and says that it is "absurd to assume that the Legislature makes and maintains "laws *designed* to impede or injure commerce." I am not aware that any one has ever assumed this. I believe the Legislature acted honestly though ignorantly on this question. But I suppose Mr. Combe will scarcely deny that our Legislature may make, has made, and still maintains laws calculated both to impede and injure commerce, although they may not do this designedly for that purpose.

The next assertion of Mr. Combe is a repetition of what I have observed upon already, and evinces, in my opinion, the greatest ignorance of his subject. He says, "the causes which regulate "the phenomena of currency and exchange are as completely "*natural and as certain in their operations as the force of gravita-*"*tion itself.*" As I have said already, the laws which regulate a national currency or medium of exchange are as much the work of man as those which regulate the Post-office, or the Customs, or any other national institution, and are no more under the guidance of natural laws than a steam-engine or a spinning-jenny, if so much. Will Mr. Combe inform us where this production of nature, a currency, is to be found, and what are these natural causes which regulate the phenomena of this prodigy? And if it be this simple production of nature, and as entirely under natural laws as the force of gravitation, why should we legislate at all in the matter? What is the end and object of all past and present Bank Acts and Currency Laws? Will Mr. Combe describe the natural phenomena of currency? The "Times," in applauding Mr. Combe's pamphlet, informs us that "treatises on this subject are commonly "supposed by modest enquirers to be profound in proportion as they "are incomprehensible," and certainly the passage I have quoted above is very incomprehensible, and I suppose very profound.

In his third article in the "Scotsman," of the 28th November, 1855, Mr. Combe quotes a passage from the petition of the Edinburgh Chamber of Commerce, and affirms that "it would be difficult to "condense into the same space a greater collection of fallacies and "mis-statements than this paragraph contains." He not only entirely fails to make good this strong assertion, but rather confirms the statements of the Chamber. He fully admits the fact stated by the Chamber that certain emergencies require an export of gold; and in so doing, admits, in my opinion, the truth of the whole passage. For an export of gold, whatever the cause, is an export of our currency so long as this is made dependent on that metal; and an export of currency must contract the circulation, and contraction of the circulation must, as the Chamber truly says, "give "rise to commercial embarrassments," and these will be severe or otherwise, according to the nature of the contraction.

This was demonstrated in 1847 beyond all doubt or dispute, except by Mr. Combe, Lord Overstone, the "Times," and a few others, who still think the Act of 1844 saved the nation on that occasion, although it actually had to be suspended to effect this salvation. Mr. Combe next enters upon an exposition of foreign commerce, and correctly admits that this consists of an exchange of the produce of one country for the produce of another, and that these exchanges are generally effected by the medium of bills. But he goes on to argue that in 1847 the principle of foreign commerce was changed, because we exported a little more of a certain commodity, gold, than usual. But what change could this make in the principle of foreign trade? It was still the same exchange

of our commodities or wealth for that of other nations; and nations have really nothing else wherewith to buy the produce of other countries but their own productions. Mr. Combe would apparently infer that because gold was sent abroad by our merchants and others to be exchanged for grain, that we were paying the foreigner for the corn with money and not with commodities, and therefore it was necessary to make our money of gold. But this is great ignorance; for although the gold was money in England when coined into sovereigns and half sovereigns, it was not money to the foreigner who received it in exchange for his corn. The gold, whether coined or not coined, was in that foreign country received as a mere commodity, a metal, to *be valued in* and exchanged for *so much of the foreign money of the country*, like any other commodity, before either purchase could be made in her markets or a debt liquidated. The English stamp, that which constituted the metal pieces money in this country, was of no value whatever in the transaction. And the sending away the metal gold, to be exchanged for the grain Mr. Combe speaks of, or to buy the money of a foreign country to pay a debt, would no more be felt by this nation than would the sending away the metal iron to the same value in exchange for the corn, but for the fact of our currency being made dependent on the metal gold.

The sufferings in 1847, consequent upon the drain of gold, were therefore not caused by the loss of the metal as capital, for we got back more than an equivalent in the grain imported—a far more valuable capital to a nation than gold. But they were caused solely by the loss of the metal *as our currency*, that all-important engine of national prosperity! It was the *arbitrary diminution* of the "thing selected for our currency," that very evil which Mr. Combe considers should be so sacredly guarded against. It was this want, (arising out of our selecting a thing for our currency liable to be so dealt with,) and this alone, that caused all the commercial distress and ruin in 1847.

Mr. Combe next goes on to say, in his endeavour to prove his severe stricture on the Chamber of Commerce, "The Chamber "objected to the Bank of England being bound to pay gold to the "merchants who owed this balance." But where do they do so? What the Edinburgh Chamber of Commerce most wisely object to is the folly of compelling the Bank of England to sell gold at the same price, whatever the demand for the metal may be, and therefore, when the demand is increased, to sell at a price which makes it the most profitable article of commerce which the merchant can export, and thereby encourage him to send this article, in preference to every other article of English capital, to be exchanged for foreign grain. Is there any thing singular or fallacious in this objection? Again, they object, and with equal wisdom, to the folly of compelling the Bank of England to part with that gold which composes our currency, without taking any measures for supplying the deficiency by providing some substitute to perform the functions

of currency and carry on the internal trade of the country. They object, and wisely, against being thus left destitute of a medium of exchange,—with wealth as great as ever, but without any means of exchanging and distributing that wealth among the people for whose use it is intended. They object to being left without a currency, for the simple reason given by the "Times" on the 25th October last, in these words:—"To carry on the internal "trade of the country a certain amount of currency is essential."

The fact is, that Mr. Combe's own ignorance of the true nature of money places him in a dilemma, and he would fain fix the Chamber of Commerce in the same. He first asks if the Chamber would wish us "to swindle the foreigner, repudiate and not pay "our debts!" as if debts to the foreigner could only be paid with gold! and next he asks if the "Chamber are incapable of con-"ceiving that those nations may not need our goods when we want "theirs?" and he adds, "We again ask the Chamber, how is the "balance to be paid?" Now, to take him upon his own ground and admit that the foreigner must be paid with gold, I ask, is Mr. Combe incapable of perceiving that we should have quite as much—nay, a great deal more—of the metal gold for the use of the merchant in carrying on our foreign trade, if we set it free from the use we now make of it as our currency? Can Mr. Combe really suppose that the reason we are possessed of any gold to send abroad as merchandise, is because we make our currency of it? And cannot Mr. Combe perceive that gold, when exported, goes forth as a commodity, as "our goods," just as much as iron or calico? And that a nation has really nothing else to send another nation but "her goods," and that the greatest misfortune that can ever arise in carrying on foreign commerce, is when the goods sent abroad happen to be the thing selected for the national currency: especially when the legislators of that nation are so ignorant as to suppose that no other material will serve the same purpose. And although the article exported may be the merest fraction of the nation's wealth, yet they decree that her people must patiently submit to be without a currency, or put up with a very contracted one, until we can entice that one material back again? Does Mr. Combe consider the gold sent to us from Australia as her goods or her money? And when we buy so much gold from her with our beer and our boots, does not that gold become our goods as much as the boots and beer become the goods of the people of Melbourne? And when our merchants send that gold to America to be exchanged for grain, the Americans take "our goods" for the grain, and nothing else. The gold may either be made into sovereigns or not; that makes no difference to the American. He receives it only as so much metal, worth so many half eagles or dollars. But while only a metal, only mere goods to the American, it is unfortunately something more to us. It is our currency, our money; and while the loss to us as mere capital would be as little felt as the loss of a few hairs out of an elephant's tail would be felt by him, the loss of it as

currency causes all the pressures, panics, the ruin, and misery which have ever followed a drain of gold since the year 1819.

Mr. Combe next alludes to the railway expenditure and railway mania. But how could this have ever caused the panic of 1847, had our currency not been made of gold? The gambling speculations which enriched some individuals, impoverished others to a like extent; and therefore all the extravagant expenditure in silks, satins, jewellery, &c., spoken of by Mr. Combe, must have required a corresponding retrenchment somewhere. What Mr. Combe strives to establish in this article is, that a vast balance was standing against us abroad, and which had to be paid in gold. And even if I admit the fact, does it not the more strongly prove the total unfitness of this metal for our home currency, from being thus liable to be arbitrarily carried off?

Mr. Combe proceeds to say, that "towards the end of 1847 and "beginning of 1848 it became necessary to pay the balance due to "foreigners." But this is incorrect. The drain of gold began towards the end of 1846; and so far from beginning in the *end* of 1847, the stock of gold in the Bank, which stood at £16,366,000 on the 29th of August, 1846, was reduced to £9,867,000 by the *10th of April*, 1847, almost one-half less; and by October in that same year gold was returning to this country as the best market for it from the terrible depression in prices consequent upon the want of a currency. Instead, therefore, of the drain beginning towards the end of 1847 to pay a balance to foreigners, it had ended by that period. The letter from Government, authorising the Bank to ignore the Act of 1844 and supply the community with currency, put an end to all the commercial convulsions without the gold having returned; clearly proving that they were not caused by the loss of the gold as capital, but by the loss of it as currency. Thus we find that the paragraph from the petition of the Edinburgh Chamber of Commerce, held up by Mr. Combe as the very quintessence of fallacy and mis-statement, proves to be perfectly correct, and therefore Mr. Combe's charge recoils upon himself.

The next point seized upon by Mr. Combe, is the Chamber's having affirmed that the obligation to pay gold imposed by the Act was the cause of the panic, and he says, "never was there a "grosser perversion of facts!" And how does Mr. Combe support this grave charge? Why, by a heap of irrelevant assertions about "potato blight, speculative excitement, leading to enormous "expenditure of moneys, much of it raised on credit," &c., all totally wide of the mark; for the question is not whether the nation was compelled to send gold to pay balances abroad, but whether it is wise to make a law compelling the nation either to repudiate her debts (if such did exist) or go without a currency! If, according to Mr. Combe, we must have sent our gold away to keep us honest, can any thing look more like insanity than to insist upon making our currency of that very metal, and of *that alone?* Is Mr. Combe, and those who think with him, prepared to be consistent, and state plainly what their theories imply? Are they prepared to assert that when our gold is required as merchandise the nation must do without a currency until it can be brought back again, although the amount of our wealth and the number of people among whom it is to be distributed by means of a currency continue the same as before the gold left the country? If Mr. Combe and others are prepared to support such a principle when thus plainly and intelligibly put, let them say so, and we shall know how to deal with them. That the panic of 1847 did not arise from want of gold as mere metal or capital to be exchanged with foreigners for their goods, but from a want of money—of currency—is clearly proved, both by the fact of there never having been less than £8,000,000 of gold in the Bank, and also by the effects of the Government letter, which merely authorised a supply of "inconvertible" Bank notes, as Mr. Combe would call them.

No arguments of mine can more strongly condemn our existing monetary laws than the statements made by Mr. Combe in the middle paragraph of page 15 of his pamphlet. He there states that men flocked to the Bank with statements of the value of their stocks of wealth, and argued that if they could only be supplied with a loan of Bank notes they should avoid bankruptcy. One of these applicants, as well known, had actually £60,000 worth of silver bullion to offer in security for notes, but could get no currency to meet his requirements, and so with the others; and all this because a minute portion of our capital in the shape of the metal gold had been sent abroad to be exchanged with foreigners for food! No other kind of wealth, however great in amount, was entitled to have the use of a currency to facilitate the work of distribution; because, argues Mr. Combe, "our profoundest thinkers" have determined that a currency should only be made of gold. Truly this is philosophy falsely so called! I hesitate not to denounce it as an exhibition of the grossest ignorance of what a currency really is and really is intended to do. "No alternative," says Mr. Combe, "was left to them (the Bank Directors) as honest men "but to decline issuing notes on the pledge of unsaleable goods "and stocks." Why, there was no honesty in the matter: the Directors could not do otherwise, the law made it imperative to refuse notes. But I ask Mr. Combe, are these "goods and stocks" wealth or are they not? If they are, then how are they to be exchanged without a currency? By barter, or how? He says they are "unsaleable," but why? Not because they are of no value, for this remains as great as a year before, when millions would have been advanced upon them, and by those very same Directors. But they are unsaleable because there is no currency, there is no money to effect a sale. And because there is no medium of exchange or an insufficient amount to carry on the exchanges of wealth—the internal trade of the country, are the merchants, be their wealth ever so great, to be forced into bankruptcy, and ignorantly charged with keeping "unsaleable goods and stocks," and with

being "in debt beyond the limits of their tangible capital?" "Tangible capital!" as if silver were not tangible capital; as if corn, iron, cattle, calico, indigo, silks, sugars, woollens, and hardwares were not tangible capital! And this is the trumpery style of reasoning so lauded by the "Times," and which, in a bravado manner, we are challenged to controvert or for ever hold our peace!

After having shown the *truth* instead of the fallacy of the statement of the Edinburgh Chamber, in denouncing the guilt and folly of allowing our circulating medium to be drained away under an ignorant law, without supplying the want in any way, Mr. Combe proceeds: "The portion of the community which was in debt, many of 'them members of the Chambers of Commerce, Town Councils, and 'other incorporations, now tried to screen their errors and save their 'credit, by raising the cry that the obligation on the Bank of England to pay gold for its notes, was the cause of all these dire 'events, and they succeeded in inducing other persons to take up 'the cry. A panic seized the British people, and there was a run 'on the banks for gold for domestic hoarding. On the 27th October the Government authorized the Bank to suspend payments to 'tranquillise them: but this they did solely because the insane 'terror and misapprehension which prevailed could be met in no 'other way." I need scarcely point out how this paragraph perverts the facts, while the insinuation as to the motives of the Edinburgh Chamber of Commerce in petitioning Lord Palmerston, is unworthy of any writer pretending to discuss fairly the question. The paragraph savours very much of Lord Overstone's opinions, as expressed before the Committee of the House of Commons in 1848. His Lordship thought it quite clear that the "whole effect of the "Government letter was upon the *imagination* of the community." This delusion of his Lordship's I have sufficiently exposed in my pamphlet, entitled "The Errors and Evils of the Bank Charter Act of 1844." Suffice it here to say, that to suspend a law enacted purposely to maintain cash or specie payments, would be a singular way to tranquillise a panic, had specie been the thing the people wanted. But it was currency they wanted, and not gold or specie; and all sensible people undertsood from the Government letter, that money could now be obtained on their "goods and stocks" if they wanted it, although they were the very same "unsaleable articles" which the Directors of the Bank, as honest men, rejected. Men wanted not gold; they knew that the Bank of England notes were legal tender, and would perform all the functions of money as well without the gold as with it; and as they could now obtain this money when wanted, the cause of the panic,—want of currency—ceased, and the plague itself ceased, the moment the cause was removed. And when we remember the men, who composed the deputation of bankers and merchants, who waited upon the Chancellor of the Exchequer, and mainly induced the suspension of the Act, we may well smile to read that the Government authorized the suspension of the law "solely be-

"cause the insane terror and misapprehension which prevailed could "be met in no other way." Had he said the want of money for the necessities of the country could be met in no other way, he would have been nearer the truth. Mr. Combe adds, "the public "mind was tranquillized by the promise that it (the Act of 1844) "*should be set aside, &c.*" And did not this promise comprehend every thing? All that was required to stay the plague was the knowledge that people having abundant capital or wealth could obtain money upon the security of that wealth when they needed it. Their "goods and stocks" were once more saleable, although that fickle jade, gold, still remained truant. Strange to say, it was discovered that goods could be made saleable without a gold medium, and that they had been unsaleable only from the want of *some* medium by which sales could be made.

Mr. Combe closes this article by saying, that the "drain of gold "disappeared when our impoverished people ceased to overbuy "foreign produce, and tempted foreigners by *low prices* to buy from "them." And this is another specimen of the ignorance displayed by all who hold such "broad and simple doctrines." Our people "are impoverished," forsooth, because they have possessed themselves of "corn, wine, and oil," all those things most valuable to man, in exchange for one metal, gold; and they are enriched when driven by our insane law to part with all these valuable articles at "low prices," and consequently at a ruinous loss, to obtain one article, gold! We are impoverished when we obtain large quantities of foreign produce, eminently useful to man, and we are enriched when we get rid of all these at any price, so that we obtain gold in exchange! Can any thing be more senseless than this? Is it not the resuscitation of that long defunct theory, known by the appellation of the Mercantile System? "While this "system prevailed," says Mr. J. S. Mill, "it was assumed, either "expressly or tacitly, in the whole policy of nations, that wealth "consisted solely of money, or of the precious metals, which, when "not already in the state of money, are capable of being directly "converted into it. According to the doctrines then prevalent, "whatever tended to heap up money or bullion in a country added "to its wealth. Whatever sent the precious metals out of a "country impoverished it." Does not this passage perfectly describe Mr. Combe's theory? But are we again to adopt as a system of wisdom, that which, since the days of that gifted man Adam Smith, has been scouted as senseless and absurd? Surely not! Yet does Mr. Combe's whole argument go to support that ancient and ignorant delusion. Buying gold, by tempting foreigners with low prices, enriches a nation, says Mr. Combe; buying all other things, however largely, impoverishes a nation, if gold happens to be given in exchange for them. We naturally ask, how can such a delusion take possession of a sensible man's mind? And the only answer I can give is, that having made our money—our currency—of an article in great and arbitrary demand

throughout the world, we are involved periodically in commercial difficulties and distress from this currency being carried off as merchandize; and we naturally, though erroneously, conclude that there is some more excellent virtue in gold than in other commodities; whereas it is the value of currency that we mistake for the value of the metal.

The next article appeared in the "Scotsman" of the 5th December, 1855, and in it Mr. Combe attempts to show that, dark as was the picture of ruin and desolation presented to our view in 1847, from the want of a current medium of exchange, there was another, even a "bright side to the picture." And strange to say, this arises out of the contraction of the circulation, caused, not by natural laws, as Mr. Combe would persuade us, but from our insane human law which insists upon making two uses of gold at one and the same time; one for exportation in exchange for foreign goods, and the other for our money medium of exchange. "The Bank of England contracted their issues," says Mr. Combe, "and so did the Country Bankers; and the consequence was, *a "great diminution of the currency.*" This, and the forced sales following on bankruptcies, produced a rapid fall in the prices of all commodities, and then came the glorious harvest of the money-lenders and money-capitalists. These, says Mr. Combe, "now entered the markets with great advantage, and bought shares and "goods, mills, houses, and machinery, *at very low prices*;" in other words, they availed themselves of an iniquitous Act of Parliament to rob the poor producers and others of their wealth. The law first renders these very goods and stocks unsaleable, by allowing our gold money to be exported as an article of trade, without providing any substitute, and when the owners of them are ruined and their stocks thrown as a drug upon the market, from the mere want of a circulating medium, in walk those parties who command the money-market, and swallow up the poor sprats! Annuitants, mortgagees, large fundholders, and all who live on the interest of their capital, who produce nothing themselves, but have all produced for them, found their condition vastly improved. For money being very scarce, interest rose, and as the prices of goods had proportionally fallen, their incomes became from 20 to 30 per cent. more valuable than before the exportation of our money. They obtained a higher rate of interest for their capital, and "the money they drew served," says Mr. Combe, "to purchase more goods in the shops." All this entirely confirms what I said in a preceding passage, namely, that dear money and cheap goods is a glorious state of things for all those who, like Mr. Combe and myself, have our incomes always paid to us in money.

But did Mr. Combe ever ask himself the question, "who pays "the higher interest now received by these classes," and from whom they "drew the money" now so much enhanced in value? Can he not perceive, that both this interest and the "money they "drew" comes out of the pockets of the producing classes who provide for us all? And that just as the interest on money is high, and the money drawn by annuitants and others more valuable, so the more of their produce must the producing classes part with to buy this money; and, consequently, must have less left for themselves, less for carrying on the work of production, and necessarily less wealth is produced? Those very classes, upon whom we are all dependent for our real incomes, decline in prosperity, and with that decline the nation must proportionally decline in wealth.

The next paragraph, in p. 17, is a strong additional proof of Mr. Combe's ignorance of this question. He is speaking of what he considers the favourable turn that now takes place under our happy and equitable law: money from its scarcity has become in great demand, more of all other things will now be given for it; as Mr. Combe says, it will "purchase more goods in our shops." Gold being money in this country,—England, from this scarcity of money, becomes the best market for gold; and every speculator perceives that he can make a greater profit, by bringing back gold in exchange for his exports, rather than sugar, tea, cotton, corn, or other commodities; and therefore it flows into England, and the perfection of commerce is attained. The gold does not come to us as Mr. Combe, in support of his fallacious theory, supposes, in payment of balances, because any other commodity, that will sell for English money, will pay balances due here as well as gold; but because, as I have said, it pays the importer a higher profit, from his fellow-countrymen being compelled by the want of currency to part with more of their goods for the metal, of which, in this enlightened country, a currency can alone be made. They would never dream of giving half the quantity for it were it nothing more than the mere metal.

Mr. Combe next helps his non-commercial readers, like myself, to a better understanding of this question, by what he terms, "a "very simple illustration." Unhappily, this illustration is itself a fallacy. The amount of francs given by a money-changer in France for an English note, depends, not as Mr. Combe asserts, upon that note being payable in gold on demand, but upon the relative value of money and commodities in France and in England, at the time of the transaction. If 125 francs will buy more of all commodities in France than will a £5 note in England, the money-changer will not give 125 francs for the note. But if Mr. Combe's "bright "side" of our monetary system happens to be the one exposed to view at the time, and the £5 note will purchase considerably more of our goods than 125 francs will in France, the money-changer will, perhaps, give as much as 130 francs for the £5 note; and by importing the goods, bought with the note in England's depressed markets, into France, sell them for perhaps 135 francs, and thus make his profit on the transaction.

An English note payable in gold will not supply the Frenchman with a means of paying his debts in Germany or America any

more than a note not payable in gold, nor any better than any commodity which can be sold in the markets of those countries. Both notes must be sold like commodities, and their prices will be regulated by the state of the money-market in the country where they are sold, and, as Mr. Combe must know, the note payable in gold might on occasions be sold for less than the one not payable in this. How does Mr. Combe account for the notes of the Bank of France, not payable in gold on demand, actually attaining a premium, in the neighbouring states, during the period after the revolution of 1848, when the Bank was relieved from compulsory payment in gold? Surely Mr. Combe must know that gold is not the only thing that men can buy with in our markets, and that it might be more advantageous to the foreigner to buy some other thing with the £5 note than gold? The value of the note abroad must therefore depend on the security it affords, as legal tender in England, for his obtaining the amount of value indicated by it in the markets of the country in which it circulates as money; and not in one commodity only, but in any article in the market of which he may desire to possess himself. The delusion that some peculiar value attaches to the metal gold beyond that appertaining to other things, arises, in Mr. Combe's mind, from his imagining that its value as money—as currency—belongs to the metal. But such is no more the case than that the value of a steam engine or turning lathe, as pieces of machinery, belongs to the wood and iron of which they are composed. The value of the materials is one thing, the value of the machine a very different thing, and springs from a totally different cause.

But the illustration of Mr. Combe is even more worthless than I have yet shown it to be, because English notes are not intended to go abroad at all. They are intended solely for home purposes.

In the next paragraph of p. 17, Mr. Combe speaks of "English "gold being received at its full value all over the world." Now what is English gold? In what part of England found? If Mr. Combe means sovereigns, does he really wish these as our national currency to be exported as merchandise? And if so, does he mean to say that they are more valued over the world than ingots of like purity? I suppose other gold as well as "English gold," and other commodities, both English and foreign, are received at their full value all over the world as well as gold? Mr. Combe must likewise know that English gold, as well as other gold and other commodities, varies in value all over the world, more of it being given for other things at one time than at another.

But I fear I must have wearied my readers, and I confess I have wearied myself with so repeatedly pointing out and refuting the same miserable fallacies, which rise up, Hydra-headed, in the mind of Mr. Combe on this question. But the repetition is forced upon me. In concluding the article now under consideration Mr. Combe again makes use of the senseless term "tangible capital," meaning,

I believe, money, or currency, which is really not capital at all, but only the legal or conventional representative of capital. For as long as gold itself remains in use as currency, it is only the instrument used in exchanging "tangible capital." Such is the vague and hazy nature of Mr. Combe's "broad and simple doctrines." And the concluding passage in this article does not lessen the obscurity. "It is the interest of prudent capitalists," he says, "to "keep the English currency equal in value to that of every country in "which they mean to buy or to travel." Can anything be more unmeaning than this? To what value does he allude? To that of the material of which the currency is made, or to the value of the currency as a machine to carry on the internal trade of a nation? And how does he propose to keep up the equality, and with what object? Surely no one in his senses would set out to travel in Russia, Germany, or India, with English Bank notes in his pocket? Nor does any sane man ever think of buying with these in foreign markets. I repeat, the merchant buys in foreign markets with the money of those markets; *and this money he buys with the articles he imports into them*, be these woollens, cottons, iron, gold, wine, tea, sugar, coals, silk, indigo, &c.

The next article which appeared in the columns of the "Scotsman" of the 8th of December, and those subsequent to it, contain but a repetition of Mr. Combe's views as set forth in his previous articles. They are one tissue of fallacy from beginning to end. Still, as these fallacies are dressed up in a new garb, they require to be noticed. And, first, let me observe, that although no reflecting man of the present day will defend the senseless system of issues adopted by Pitt after the Restriction Act of 1797 had been passed,—for it was only exceeded in folly by that in America, described so graphically by Mr. Combe; still, with all its evils and gross errors, it was to an infinite extent more beneficial to the labouring and producing classes of the community, than the existing system so much admired by him. To use the language of the late Lord Liverpool, if we stupidly allowed "a cobbler or cheesemonger, with-"out any proof of his ability to meet them, to issue his notes "unrestricted by any check whatever," and inconvenience and occasional loss to individuals arose in consequence, yet the nation had a full and efficient circulation to carry on the work of national industry, and develop our resources; while our present system is eminently calculated, even by Mr. Combe's own showing, to leave the nation without a currency altogether, or with an utterly insufficient one, through the departure of gold from our shores as an article of merchandize, causing loss and inconvenience not to a few individuals only, but paralyzing the whole national body, destroying industry, and creating wide-spread ruin among the producing classes.

Speaking of the period between 1797 and 1819, Mr. Combe says, "the country was flooded with paper currency, and prices "rose and fell with a rapidity and suddenness that defied all cal-

"culation." But this is all very worthless in argument. Mr. Combe must not only assert that the country was flooded, as he calls it, with paper currency beyond the wants of the community, but he must supply some proof that his assertions are correct, to make them of any value. What we do know is, that the country prospered and increased in wealth and strength in a wonderful manner, despite our enormous expenditure in carrying on that long and costly war with France. Let Mr. Combe account for this astonishing prosperity and vast increase of wealth in some other way, if he denies that it arose out of the full employment of our people, caused by an abundant circulation? This secured a profit to the producers, and supplied them with the means of bringing into active operation every thew and sinew, and thereby increasing production, that sole source of a nation's wealth and of her people's comfort and happiness. And as to the variations in price of which Mr. Combe speaks, let him compare those which have taken place since the Act of 1844, with any period of like duration during the war, and then say whether they have not fluctuated to a much greater extent during the last ten years. And what can be more fatal to the pretensions of the Act of 1844, than the fact that no less than forty fluctuations in the rate of interest have taken place during the eleven years it has been in operation, varying from 2 to 7, 8, and even 9 per cent., while for a whole century before 1819, the Bank never altered its rate of discount. And yet this Act was to secure stability and uniformity in the value of money and put an end to panics! Mr. Combe next speaks of gold attaining a maximum of 15⅓ per cent. above the Mint price during the war, and of guineas being sold for 27*s.*, as though gold were something altogether different from other commodities, and had no right to rise and fall in relation to these others, according to the supply and demand for it. "Foreign exchanges were ruinously adverse to "England," says Mr. Combe, and yet, despite this long continued ruin, this bankrupt state—as the "Times" calls England during that period—grew more and more wealthy, and more and more prosperous and mighty among nations. Strange and uncommon result of ruin this!

"The exchange on Hamburgh and Amsterdam," says Mr. Combe, "was depressed to from 10 to 20 per cent., that is to say, a merchant "who owed £4 sterling in Hamburgh was under the necessity of "giving £5 in Bank of England notes for gold equal to four sove- "reigns, to discharge his debt." This passage expresses a very common fallacy, and one calculated to mislead all those not sufficiently conversant with the subject, to detect the key to it. An English merchant cannot owe £4 sterling in Hamburgh, although he may owe the equivalent of £4 in the money of Hamburgh; and, therefore, if a merchant owed a certain sum there, he would pay it by sending to Hamburgh not gold but the article that would buy the money there at the least cost to himself. And if he has to pay £5 for

a bill on Hamburgh to pay for some import, we must know what that £5 cost him, before we can tell whether he is really paying more or less for the commodity from Hamburgh than when the bill only cost him £4. If he purchased the £5 worth of the money of Hamburgh in the shape of a bill, with a smaller portion of his goods than he formerly parted with, to purchase the like amount in a bill which might only have cost him £4 of English money, then the exchanges, instead of being against, were decidedly in favor of the English merchant, although they may appear against England to those who look not beyond the pounds, and therefore fail to perceive that these are only the representatives of the articles given for them. Circumstances, glaringly patent to the world, had enhanced the value of gold, and it was carried off from us accordingly; but is this fact a good reason for selecting gold for our currency? Because bullion rose in value, consequent on the increased demand for it, men ignorantly concluded that it was because we had a paper circulation, which, from over issues, had become depreciated. But might we not, with as much reason, conclude that our gold money had depreciated from over issues, because four sovereigns are now given for a quarter of wheat, while only two were sufficient to buy that quantity of wheat a few years back? Suppose a man were to get up the cry that gold money had depreciated, because of the over issues from Australia and California, from the "*unequivocal* "*symptom*" that more of the gold £'s sterling were now given for wheat, would he not be laughed at? But gold having risen in value from causes even more patent than those which have raised the value of wheat, were those less deserving of ridicule who raised the cry that "money had depreciated," because somewhat less gold could be obtained for the paper £ sterling than before the increased demand for that metal had raised its value? Would it not have been more reasonable to conclude, as in the case of the wheat and gold pounds, that gold, like the wheat, had risen in value, that more of all other articles will be given for it than formerly, and that the larger sum of money paid for it *merely marks or indicates this increased quantity of other things?* This ignorant cry arose from its being supposed that gold alone was money, and not a commodity, the value of which could alone be ascertained in relation to other things; whereas, as Mr. Combe himself admits, anything which a community agree amongst themselves to receive as the common and acknowledged medium of exchange, may perform the work of a currency; and if a legal currency, and performing all the functions of money, what is it if it be not money?

This ignorance led the famous "Bullion Committee" to make the absurd assertion quoted by Mr. Combe, "that there was an excess of "the paper circulation, of which the most unequivocal symptoms were, "the *high price of bullion*, and next to that, the low state of the con- "tinental exchange." They appear to have no more understood than Mr. Combe, that bullion is *only bought with other commodities*, and not with money; that the money or price given for gold or any other

commodity only represents the articles given for the money, and therefore these articles really buy the gold, the money being the mere instrument or medium for effecting more easily the exchange of those articles for the gold. If more money then be given for gold or other commodity, it only shows, as I have before stated, that more of other things are given for it; and this must arise either from an increased demand for the article so enhanced, or from a reduced supply of it, or from an increased supply of all those other things, more of which are now given for it. But the money, the mere exchangeable representative of all those things, can never be the cause of one commodity, whether bullion or any other, rising in relative value to other things. It is only the index to mark these changes in the relative values of the articles exchanged the one for the other.

The next paragraph of p. 19 exhibits the same ignorance as to the real nature of money, as that mere middle thing between two articles which are exchanged for or buy each other. Mr. Combe's facts also are wrong. When the "wise measures," he speaks of, were carried into effect, in 1819, Mr. Combe asserts that it was done "amidst loud cries of ruin from the whole debtor class; "landowners who were in debt swelling the chorus of complaints "uttered by commercial debtors." Now, if Mr. Combe will take the trouble to look at the names of those who most stoutly condemned and opposed the destructive measure of 1819, he will find amongst them many of the wealthiest of the land. Amongst his debtor class we find the Duke of Portland, the first Sir R. Peel, Lord Castlereagh, Lord Stanhope, and a host of others.

And is it by such loose assertions as these that our rotten and tottering monetary system of ignorance and barbarism must be bolstered up? A system which confessedly goes back to that which obtained in the earliest and rudest ages, namely, bartering all commodities which men want to exchange, for a certain metal, before they can be exchanged for each other; and this metal, the most slowly produced and the most difficult to be obtained of all material things? I venture to assert, that had England listened to the wisdom of her councils in 1819,---to those who opposed the crude and undigested notions of the then youthful member of her legislature, Mr. Peel, and only continued her national paper currency, by means of which she had triumphed over the most powerful confederacy the world ever saw, she would now have been free from the burden of her enormous State debt, and instead of having nearly a million of paupers gnawing into her very vitals, and the great body of her laboring classes living in a state of abject poverty, even worse than that of the pauper himself, would have had a happy, well-fed, and well-clothed people, enjoying, as they ought to do, an equitable portion of the fruits of their own labour and industry.

The elucidation of the Bank Charter Act of 1844, which this article is intended to supply, is much more calculated to mislead

into error than to enlighten any one. The whole statement is purely imaginative; a series of groundless suppositions, as any one who will take the trouble to read the Act itself will find. The first circumstance mentioned in this "brief elucidation of the Bank "Restriction Act of 1844," is the case of a merchant who receives gold from Australia, and takes it to the Bank for sale, and Mr. Combe, to work out a pretty theory, says, "it is self-evident he "would take notes for payment," as it would be "sheer absurdity "to exchange his gold for the Bank gold." He forgets that the Bank gold, in the shape of sovereigns, is *money* as well as gold, and the Australian gold is not; and this "sheer absurdity" of Mr. Combe has continually taken place in consequence. Men found that they could buy in Australia, with an ounce of Bank gold, in the shape of sovereigns, considerably more than an ounce of Australian gold; and this was so good a trade, that a man found he could do better by taking sovereigns for his Australian gold than notes.

Mr. Combe proceeds to say "that a large accumulation of gold "in the Bank is simply *accumulated payments* by foreigners for the "products of our industry which they have bought, and it is these "purchases which have caused the activity in trade," which he says takes place when we have plenty of gold in the Bank. Now, I ask Mr. Combe whether France and the other countries of Europe, America, India, or China, pay for our products in gold? Do not all these nations pay for them with their own products? and before the discovery of gold in Australia, had she nothing with which to pay us for our products? If, therefore, it be indisputable that nations purchase from us, not with gold but with their *native produce*, it clearly follows, on Mr. Combe's own showing, that if activity of trade be caused by the purchases of foreigners in our market, this activity must be entirely independent of the metal gold; for that is only the product of one or two countries, and produced in small quantities totally inadequate to pay us for our products sent to them. The true cause, therefore, of this commercial activity arising out of an influx of gold, is yet to be explained. And it is nothing more than the abundant circulation provided by the increased quantity of the metal of which our currency is made. As an efflux of the gold, and consequently a decrease in our circulation, causes stagnation of trade for want of currency, so a return of the gold and consequent increase of money causes commercial activity; and such being the fact, is it wise, I again ask, to make our home commerce thus dependent upon the arbitrary movements of a certain metal?

Enough has, I hope, been said to show clearly that the reason why gold is brought to this country is not, as Mr. Combe repeatedly asserts, because foreigners have purchased more goods from us than they have sold to us, but simply because it is more advantageous to merchants and others to bring gold as a commodity to our markets than other things. It pays them a higher profit on the

transaction, and this is the sole reason for its being brought here. That it is the "balance of trade *forcing* them to pay in gold," is mere moonshine. Each individual pays any balance he may owe in a foreign market with the commodity that will raise the money of that market at the least cost to himself, and he will never send gold, except when he believes that gold is dearer in the market of the country where the debt is owing than other commodities. And were gold suffered to find its natural price in a national paper currency like other commodities, it would not offer the same advantages to speculators that it now does under our philosophic law, which fixes the price of it.

After stating that the enriching of all classes in England by active commerce leads to the use of large quantities of foreign produce, Mr. Combe says, "The balance then turns against us. "Now, what do the Chamber recommend? Totally blind to the "fact that the cause of the active commerce was the *extensive* "*purchases by foreigners liquidated in gold* (this fallacy I have ex- "posed), they desire, after the holders of the gold find it necessary "to request the Bank to return the gold deposited when the notes "were issued,—after all this the Chamber desire that the Bank should "not give back the gold, but should issue more notes." But can anything be more reasonable than to ask that some sort of circulating medium should be provided for the use of this great commercial country; either that the gold in use as our currency should be preserved by law as formerly for the uses for which it is intended, or, if that is sent away, notes or some other suitable engine should be substituted?

I hope enough has been said to expose completely the miserable sophistry of which Mr. Combe's "broad and simple" doctrines on the currency are composed. The pamphlet contains several other articles from the "Scotsman," but they contain little that is worth notice. In one of them, Mr. Combe says that so long as no panic about the solvency of Banks exist, gold is never demanded *except for exportation;* "while the credit of the Bank is undoubted no one "thinks of desiring gold for their notes," all clearly showing that the Government note of such a nation as England, payable for taxes and duties, and made the current legal tender, would put an end to all desire for gold on the part of the people using them; for the solvency of the Bank issuing them, even England herself, could never be subject to doubt or suspicion. The whole of these articles of Mr. Combe's are intended to prove the necessity which frequently arises for exporting gold, and the one published in the "Scotsman" of the 15th December last, contains the following passage, "The "Bank has no alternative (see p. 25,) but to furnish gold and to "contract the circulation, and, therefore, deprive our merchants of "the means of spending more money abroad, and to cause such a "fall in our home prices as will tempt foreigners to renew their "purchases and send back the gold to us. This will happen sooner "or later; meantime our present embarassments are the price we

"are paying for the war, and for the foreign produce which we have "consumed beyond the value of the goods which we have sold." This appears to be the grand climax of condensed nonsense. To supply the merchants with our gold money for the very purpose of sending it abroad, and, thereupon, proportionally contract the circulation essentially required for home trade, is the way, says Mr. Combe, "to deprive the merchant of the means of spending more money "abroad." What a deep mystery is involved in these "broad and "simple doctrines?" and yet, according to the "Times," the most uninitiated may therein comprehend in half-an-hour the whole subject of the currency! The exportation of our money as merchandize is surely spending our money abroad by our merchants to our cost? For it leads to that very contraction of the currency which, while it no more prevents what has already been done, than shutting the stable door after the steed is gone defeats the purpose of the thief,—causes all those crushing pressures and panics, attended with those ruinous falls in prices which forms Mr. Combe's bright and sunny side of the currency, and which so gladdens the heart of all we annuitants. It renders our fixed money incomes doubly valuable, though still consisting of the same number of pounds sterling, as before the flight of the gold from our shores caused this sun of desolation to shine forth upon our poor gold-ridden land. "Our present embarrassment" says Mr. Combe, "is the price we are paying for the war, &c." It is no such thing. The little mite of our capital, in the shape of gold, which we have sent abroad to carry on the war, would have been as little felt by the nation, as the same amount of iron or calico, had our money not been made of that metal; and, therefore, our present agreeable embarrassments, for the banker and money-capitalists, are the price we pay for adhering to an ignorant and iniquitous law, which compels us to make our currency depend upon a certain metal, and yet admits that metal currency to be "arbitrarily carried off by any "one who can make a profit by so doing." The next argument against "a currency for home circulation" is weak in the extreme. "It may be issued to such excess," says Mr. Combe, "that the "merchant may be compelled to give £5 for gold equal to four "sovereigns." But if a law were made, strictly limiting issues to the amount of our annual taxation, and made by the very same law-makers who made the law which limits the issues of the Bank of England on securities to £14,000,000, why should such excess of issues arise? This could only be made *by breaking the law*, and can be as easily done now; for no law can be a guarantee against its being broken, or the world would be very different from what it is.

Mr. Combe next alludes to a wonderful virtue in the Act of 1844, "it effectually saves the merchant from fluctuations in "prices, because it preserves the domestic currency always equal "to gold." But we have only to look back to 1847, to find that it preserves no currency at all for domestic operations, for Mr. Combe himself informs us that the goods and stocks of our merchants were

unsaleable, and this I proved was entirely from the absence of currency to carry on sales or exchange.

Mr. Combe's entire ignorance of the subject on which he comes forth as a great teacher of others, is rendered still more evident by the second paragraph, p. 25. "It is absurd," he says, "to attempt "to separate our domestic from our foreign trade and to propose to "carry them on by means of different currencies." One is really puzzled to know what Mr. Combe means here. Foreign commerce is generally supposed to consist of exchanges of one nation's products for those of other nations. It is a positive parting with a portion of our wealth for some equivalent value in the wealth of others. The nation barters with other nations; she gives and takes; while home commerce consists of the exchanges of a nation's wealth amongst the people composing the nation. In this the nation parts with nothing, all is retained by her own people, who merely exchange equivalent values with each other, and this is done by means of a national engine, a currency, constituted by law the legal tender and representative of all things valuable. But this is the currency of no other nation, and therefore cannot possibly be employed as such in carrying on foreign commerce, our exchanges with other nations, who have each their own currency for home-trade as well as ourselves. In fact there is no common currency among nations in which foreign trade is carried on. If anything may be designated as the currency of foreign trade, the engine by which it is carried on and facilitated, is Bills of Exchange, and even these are bought and sold like commodities and are not legal currency in either country. Mr. Combe tells us "it is absurd to carry on the "two trades in different currencies." Now we know with what currencies the home-trade of both England and America are carried on, but I ask Mr. Combe with which of these currencies is the foreign trade of England and America carried on? whether the English or the American? Both countries may occasionally use gold and silver as articles of barter with each other, but these are not the currency of either State until they have been formed into the legal money of the one country or the other; and to be formed into the money of the one country, it must be unformed out of the money of the other country. The half-eagle and napoleon are gold as much as the sovereign, but they are not currency in England, nor is the gold sovereign currency in America or France. The rupee, the franc, and the dollar, are all pieces of silver, as well as the half-crown and shilling, but if Mr. Combe will take the trouble to present them in any market or shop in England or Scotland, in payment for a purchase made, he will find that they are not currency there.

Another weak and puerile objection is taken by Mr. Combe to a national currency in his next paragraph, where he supposes that free trade in currency implies a want of a legal tender. And as Mr. Combe appears to flatter himself that he has placed his opponents in what his friend "Jonathan" would call a "reg'lar fix,"

from his confident call upon us to answer his question or "reconcile "the existence of a legal tender with perfect freedom to every one to "issue his own currency and to offer it to the public as a standard "at his discretion," I shall close my remarks on his effusions by repeating what I have said elsewhere. The "national note," issued under the authority of Parliament, and limited in amount to our annual taxation, should form the sole legal tender and measure of value, and no one else should have perfect freedom to issue his own currency; but any person should have perfect freedom to issue, as a banker, these national notes; and these he must obtain from the issue department by giving securities in Consols or other equally undeniable stock for the amount supplied. None of the anomalies which Mr. Combe would fain thrust upon his opponents can be found in connection with such a national currency as this, and few will be found to advocate so mad a scheme as that of "every man "issuing his own currency and offer it to the public as a standard "at his discretion."

Surely the mere fact of a man's objecting to the Act of 1844 as a not over-wise piece of legislation, and to our existing monetary system as one calculated to check industry and retard national prosperity, does not justify those who may differ, in stigmatising him in the manner Mr. Combe has done the Members of the Edinburgh Chamber of Commerce, and gratuitously attributing to them such insane notions of a currency as those denounced by Mr. Combe. There are but two ways of explaining the gross misrepresentations of the views of the Edinburgh Chamber put forth in the articles,—either that this misrepresentation was wilful, which I cannot for a moment believe, or that his ignorance of the question prevented Mr. Combe from comprehending the real meaning and purpose of the Chamber in their petition to Lord Palmerston. Mr. Combe raises up theories of his own and attributes them to the Chamber of Commerce, that he may expose their "fallacies "and mis-statements" by demolishing the dread spectres of his own too vivid imagination. He assumes that the Edinburgh Chamber, and those who hold similar opinions, are entirely ignorant of the most ordinary operations of commerce, and insinuates that they were ready to act the part of a swindler, by opposing the payment of gold where it was necessary and just; that they were opposed to the convertibility of the Bank note, &c.; all of which are pure fictions of his own brain, and therefore render the whole of his criticisms on the Chamber utterly unjust and worthless. Although personally unacquainted with a single individual connected with that Chamber, and although my reply to Mr. Combe's pamphlet has originated solely from a desire to defend truth against error, and to expose the ignorance of the "broad and simple doc- "trines" of Mr. Combe on the most important of all social questions—the currency, I cannot conclude without expressing my surprise and regret that a body which has existed for upwards of eighty years, and composed, as I understand, of the first merchants

and others in the City of Edinburgh, and which has originated many useful improvements in commerce, should have been so needlessly attacked and violently vituperated, merely because they are opposed to the money law of Sir Robert Peel as embodied in the Acts of 1844-45! This, in Mr. Combe's opinion, appears worse than high treason, and he denounces them accordingly.

It may be said that some allowance should be made for the tone and spirit of the papers, as they appeared as leading articles in a newspaper. But this would only aggravate the case, and I consider Mr. Combe to have acted a far more honorable and manly part in putting his name to the pamphlet, than if he had republished his articles anonymously.

I scarcely think that the concluding paragraph in the seventh article will add to his literary fame. The unnecessary and most inconclusive allusion to the late Sir Walter Scott cannot be read without causing pain to every generous mind. Mr. Combe must know that his much-admired Bank Restriction Act of 1844 in no way prevents men from entering upon ruinous speculations. This the railway mania in 1845-6 renders patent to all. No laws can prevent individuals from acting unwisely, and certainly no laws for the regulation of our currency will keep men from speculation. But laws can be made to prevent merchants engaged in legitimate commercial operations from being ruined by hundreds, owing to the currency of the country being drained away to such an extent that their imports are unsaleable for want of a circulating medium, and bankruptcy becomes their sole alternative.

Certainly Mr. Combe has either mistaken or misrepresented the wants of the opponents of the Act of 1844, when he asserts that they require a currency such as he describes at page 27 of his pamphlet.

When Mr. Combe learns to distinguish between the laws of Providence and the laws made by man for the regulation of a machine invented by himself to lighten his labors, he will be better able to assume the office of expositor of the laws which should govern a truly national medium of exchange.

APPENDIX.

THE CURRENCY QUESTION.

TO THE EDITOR OF THE "MORNING HERALD."

SIR,—The "Times" of to-day quotes form the "Scotsman" a long article on the currency, which at the present time I consider calculated to alarm and mislead people, from the assumption therein made that a party in this country, who are anxious for the repeal of the baneful and iniquitous Bank Charter Act of 1844, desire to follow the silly course adopted by some of the states in North America.

I hope, therefore, you will allow me, through the medium of your widely circulated columns, to undeceive your northern contemporary and those who may partake of his fears.

The article is called forth by the petition of the Edinburgh Chamber of Commerce to Lord Palmerston, praying his lordship to suspend the Bank Charter Act of 1844, and the purpose of it is evidently to condemn that proceeding as both unnecessary and absurd. The writer enters at great length into the nature and uses of a currency; and though I might easily take exception to some of his definitions, imperfect as they are, yet I must pass them over, as it would occupy too much of your space. One remark, however, I must make on the term "price," which the writer does not seem fully to apprehend. When the price of any article rises it shows that from some cause or other the value of that article has changed in relation to that *of other articles generally*. It has increased in value, and more of other things will in consequence be given in exchange for it; and money being the current representative of all these things, more of it (as this representative merely) will likewise be given for this article. A perfect and true currency would only correctly represent the respective values of all articles exchangeable for each other, and more of it could never be given for any article than would exactly represent the quantity of other articles that would have been bartered for it had no currency been employed.

I find that the "Scotsman," as well as the "Times," admits that the people of this country may use among themselves anything as currency in which they have confidence. "But," he adds, "if they select a thing for currency that "may be increased or diminished in quantity arbitrarily, the prices of commo-"dities will rise when it is increased, and fall when diminished in quantity, as "arbitrarily as its quantities are varied. The problem, therefore, is to find a "thing which cannot be arbitrarily increased or diminished in quantity, and one "also in which all shall have perfect confidence." Precisely so; and it is just because we find the "thing" now selected for currency, owing to the great and universal demand for it as a commodity, is greatly liable to these very fluctuations in quantity, both sudden and violent, and causing all those fearful evils to which the writer alludes, that we desire to make use of some other

'thing" that shall not be subject to such changes, and thus solve the problem. And this other "thing" is just what the "Scotsman" so well describes in these words:—"If we select paper as our sole internal medium, it must be paper "which shall not arbitrarily vary in quantity, and which shall also be received "as of the same value, from Caithness to Devonshire, and from Londonderry "to Limerick and Cork. Is this what the Chamber of Commerce desire Lord "Palmerston to supply? If it be so why do they not tell him how to find it?" Now this is precisely what we ought to adopt; and however difficult it may appear to your contemporary to find such paper, yet nothing can be easier. I am not writing in defence of all that the Edinburgh Chamber of Commerce may have said in their memorial. It is possible they may have displayed much ignorance on the subject of currency, although perfectly right in praying for relief from an Act of Parliament which has proved so destructive to commerce and so opposed to the best national interests. And the Chamber, when they speak of "stipulating for security from those entrusted with the supply "of the paper currency, but emphatically object to the plan of restricting that "security to the possession of gold alone," lay themselves fairly open to the Scotsman's question—"What other things do they propose to be taken as "securities?" "The Bank-note," he says, "is a promise to pay a pound or "pounds to the holder on demand," and asks what shall these pounds be paid in; "acres of land, houses, mills, and machinery, colonial produce, pig iron, "railway stocks, &c." and concludes the paragraph in these words:—"Would "notes payable in acres of land in Scotland, be received as currency in England "or Ireland?" But all this is, like running a back scent, productive only of profitless babble; and it only displays the common ignorance of the real principle of a currency. A true currency is a promise of the whole nation to transfer to the holder of the national note any article of wealth he may desire of the value indicated on the note. These notes are, in fact, national orders or warrants upon any and every individual having anything to sell, to give up a portion equivalent to the value indicated by them; because it will then become in the receiver's hands the same order or power to possess himself of those articles for which he wanted to exchange his own; and so on it flows from hand to hand, the true currency or circulation medium of national authority, empowering each holder to possess himself of so much national wealth as it represents. This is what money really ought to be, and I protest against the whole "promise-to-pay" system of national currency. I protest against the fiction on the face of the Bank of England note—promising gold to the extent of the £20,000,000 of notes in circulation, in the face of the Bank returns, showing there is but ten millions worth of gold to pay the twenty. I protest also against the "supply of the paper currency" of the realm being entrusted to any private hands or joint-stock companies. The currency is a national thing, and for the use of every individual in the kingdom, and should, therefore, be supplied by the nation itself through its head—Queen, Lords, and Commons. We have had enough of a currency of promises—promises often proving so false as to bring into just obloquy and disrepute a paper currency when based on such a system, and make the very name odious. Away with it, then, and let us henceforth have a currency that is a reality, and not one composed of promises. Instead of "I promise "to pay £5," let our national notes—like a cheque on our bankers—wear on their face "Pay to bearer £5 for value received." The cases are very similar. The nation is, in truth, the great Bank of England, containing the wealth of every individual in it, and the money or currency should be composed of a number of cheques or orders upon that wealth. The great delusion which so generally prevails on this subject arises from the error of supposing that the currency must be a part of our wealth itself, instead of being, as it truly is,

the mere legal warrant, or token, that a certain amount of national wealth or property belongs to the holder of the token, and will enable him to possess himself of that wealth whenever he pleases. You may make your currency of a portion of your wealth no doubt; these warrants may be formed, as in this country, of a most costly material. But when once this is made into these legal tokens, or state warrants, the material is lost, as such, to the nation, and ceases to be national wealth as long as it is used for this purpose. It only performs certain functions for society which could be equally well, if not better, carried on were the material paper instead of gold. If the nation were to determine, by law, that all yard measures should be made of gold, we should lock up and deprive ourselves of so much wealth without facilitating in the smallest degree the work of exchanges by measurement, and so is it with our measures of value. Of whatever material you may choose to make these, you remove that material from all other uses as long as you so employ it, and it has no value to the nation beyond that of the currency machine.

The legislature of the land then is the true fountain from which the stream of our circulation should flow. The Royal Mint should issue all such warrants. Nor must they be left to the arbitrary will of individuals, or of any clique. The amount to be issued must be fixed by law, and the amount might easily be arranged to begin with. The Bank of England now issues £14,000,000 of notes on Government securities; if these securities form a good foundation for the Bank's issuing these promises to pay, they must afford an equally good one for the nation herself issuing the same number of orders to pay. Why, then, should this not be done, and our debt to the Bank liquidated in gold, or her own notes if she prerer them? Wheat reasonable objection can be made to our adopting this course as a commencement, and thus not only saving the country what we now pay in interest on this debt, but also gain the profits on such an issue. I have now answered all the questions so pointedly put by the "Scotsman" to the Chamber of Commerce, and in doing this I have, I believe, also overthrown all his objections, founded upon the monstrous system adopted in the United States of North America, which he so well describes. We must have no repetition of that, nor of the system adopted by Pitt during the period of the Restriction Act. One can only wonder at and admire the superior honesty and sobermindedness of our people, which enabled them to pass through so fiery an ordeal of temptation with so little discredit and evil results. But the system was radically bad, and we must never repeat it. A national currency, then, should be composed of national notes or cheques on our great bank of wealth, and those who obtain these cheques must first establish a right to the portion of national wealth for which they are the legal warrant or order, by making over to the nation something equivalent in value. The farmer obtains these warrants for so much tea, sugar, clothes, &c., on the national wealth, by paying over to the nation the equivalent; that is, by giving up his corn, cattle, &c., for the use of the community at large. The labourer obtains them in exchange for the produce of his labour, which is also given up to the community, and so with all others in the nation.

Because the State issues this currency it does not follow that it is to be scattered about the streets, or given to all who ask for it. There need be no great change made in our present machinery. The Bank of England and all other banks of issue would have to use these State notes instead of their own, and all other banks would have to obtain these instead of, as at present, the notes of the Bank of England, the State taking from them all ample security for the payment of a tax to the State for the use of them, say 2 per cent. per annum, which should be paid as long as the notes taken by these bankers remain in circulation. The annual revenues would return to the State a large

mount of this currency annually, which should be destroyed, and new notes ssued instead in payment of State expenditure. This is a very brief and im- perfect sketch of such a national currency as I should propose. There is nothing very difficult nor complicated to be done. All we have to settle is the amount of such legal tender to be first issued. And as long as we restrict his to the amount of annual revenues—the sum collected in taxes—it could never exceed our wants. England would thus establish a currency the most perfect and secure that has ever been known—a currency which is peculiarly suited to a self-governing nation such as we are. Under an absolute autocrat I should be very slow to advocate such a currency, because the people are at he mercy of the one ruler, and could have no control over the amount issued. But in England, where this could be regulated by the people themselves through their representatives in Parliament, and where a free press would watch every motion in a wrong direction, there could be no cause for any such fears; and I can see no objection whatever to such a change—a change that would free us from our present bondage, the most oppressive that an indus- trious commercial nation can be subject to, though the fetters be forged in gold. It would be like life to the dead to England's struggling, toiling, oppressed, and yet patiently enduring—slaves I was going to say—but I sup- pose I must say sons—the much-injured, because unjustly dealt with, labouring classes of this country, to whose industry we are indebted for all our wealth and for the comforts and luxuries we all enjoy.

I am, Sir,

Your most obedient servant,

J. H. MACDONALD, Lieut.-Colonel.

London, Nov. 26, 1855.

TO THE EDITOR OF THE "MORNING HERALD."

SIR,—Will you allow me to say a few words on that subtle and somewhat famous question of the late Sir Robert Peel—"What is a pound?" The view I take of it has at least the merit of being original, and, if fallacious, I hope some of your readers will set me right.

The gross fallacy of Sir R. Peel's definition of a pound, which he gave in replying to his own question, arises out of his confounding a certain property contained in gold and all other exchangeable things, and which we term value, with the *material substance* in which that property exists. When he held up the sovereign, and declared it to be "a pound," *because* it con- tained 123 grains of gold, he forgot that another member of the House of Commons might have held up eight half crowns, or twenty shillings, and with equal truth declared them to be "a pound." The error lies in not perceiving that these coins possess *two distinct properties*, the one as *metal*, the other as *money*. As metal, both the sovereign and the silver coins are *of the value of a pound sterling*; in other words, they possess value to that amount. As money, as the stamped coins of the realm, they are the legal representative of that amount or portion of value adopted by the nation as the measure of value, and are formed solely for the purpose of facilitating exchanges of all things valuable. As a *mere piece of gold*, therefore, what Sir R. Peel displayed was not "a pound," but only *a pound's worth of gold*. This he would speedily have discovered by melting the sovereign. For although he would have exhibited the same identical piece of gold, he would

not have ventured to so stultify himself with the house as to have held up the now shapeless lump of gold and declared it to be "a pound." He might with truth have stated that it was equal in value to "a pound," but he might have displayed his new hat or umbrella, and with as much truth declared the same thing. But in neither case would he have displayed *the pound itself*. It was therefore solely in its *representative* character, as attested by the national stamp of authority, and thereby universally recognised throughout the country as legal tender to that amount, that the sovereign could be declared with any truth to be a pound sterling. If this be not so, then might Sir R. Peel have held up his gold ring and declared it to be a pound, or two pounds, or ten pounds, and no bullionist will, I suppose, be bold enough to make such an assertion. If, then, the sovereign be a pound sterling only in its representative character as money, the important question arises—what does it represent? I answer—what the sovereign represents is VALUE. All money in its true character is only the legal representative of value. And a pound sterling in the present day is only the English term for a certain fixed portion of value, and which we may find contained in so many grains of gold, in so many ounces of silver, and in so much wheat, iron, calico, tea, sugar, and all other valuable things. And the sovereign, as the symbol of this pound, continues to represent this portion of value, and the shilling a lesser portion of the same property, long after the materials of which they are respectively composed have been greatly reduced in quantity, and, there- fore, are no longer equal in value to a pound.

From these premises I conclude that a pound sterling is merely that portion of value employed by us in estimating or measuring the amount of value in all things possessing that property. But to conclude that any one material substance, a portion of which *may contain value* to the amount thus fixed upon, must alone be this pound, is as illogical and unreasonable as to declare that any article which occupies or fills that portion of space we call a yard is itself that yard. To say that the piece of gold weighing 123 grains is necessarily a pound, is as false and foolish as it would be to assert that any piece of wood or iron capable of being formed into the representative of a yard, is that yard, and we know the yard itself exists as much *before* as after its material representative has been made. The fallacy, as I said before, lies in mistaking the material substance itself as that portion of value we call a pound which it is merely made to represent. When exchanges were carried on without symbols, when the *pound troy* of silver was exchanged by weight for other commodities, then the metal was really the pound sterling. But no one will argue that either the sovereign or twenty shillings is this same pound?

The difference, then, between the gold pound and the paper pound, as mere representatives of a certain portion of value, lies in the latter being *purely* representative and possessing no value in the materials of which it is composed; while the former not only represents this portion of value, *but also possesses in itself* the portion it represents. And the solution of the dispute between the bullionist party and those who advocate a purely representative money depends upon the answer to the question—Is it, or is it not, necessary that the materials of which the legal and authorised representatives of value are composed should possess intrinsically the portion of value they represent? And to assist our arriving at a correct conclusion on this important point I am anxious to point out here the two entirely distinct functions of money, which should always be kept in view when either writing or speaking on the subject.

Money may be said to perform two most distinct functions. The first, in being the measure of value, and the second as the current representative of all exchangeable things, or rather of the value possessed by these. As the

measure of value our money is simply that portion of value which we have adopted for this purpose. In England we take a portion of value under the denomination of a pound sterling, with which we measure or estimate the amount of value in all things valuable, just as we have taken a portion of space, which we call a yard, to measure things occupying space. But here the comparison must end. The space occupied by an article is fixed and positive, but the value possessed by any article is fluctuating and variable. The one can be positively measured, the other only *mentally estimated*, and may vary continually. Still that estimate of the mind, which measuring value really is, is always made in the *national measure*, but without the aid of any material substance, either gold, silver, or paper. Neither a gold pound nor a paper pound is required in the process. These are only necessary *after* the estimate or measure of the value of an article *has been determined*. And the purpose for which these representatives of the pound are intended constitutes the second function of money alluded to—namely, to legally represent the value of articles sold, and thus enable those who part with any commodity for these representatives to possess themselves of the equivalent value in other things, without any of those difficulties and delays which would have arisen had such exchanges been carried on by simple barter and without this money medium.

Your columns are too valuable to admit of my entering into this subject more fully, but I may be permitted to illustrate my meaning by an example. When a man wants to sell a field, a house, a cargo of wheat, sugar, or any other commodity, he makes an *estimate of its value in "pounds" sterling*, and those who want to buy them do the same thing, and so far these "pounds" or portions of value form the measure. But this is no positive measurement of the value of a commodity, like applying the yard measure to a piece of ground or broad cloth. What we measure in the one is something tangible and fixed, but value in any commodity is ever varying in its relation to others and to money as the representative of their values. Moreover, one man's estimate or measurement of the value of a commodity often differs widely from that of another, although all these estimates are made with the same measure, the pound; and they are all made *without* the aid of any material representative of these pounds. Neither gold, nor silver, nor paper are required, or even thought of by the parties making these measurements of value. It is only *after* the measurement has been completed and agreed upon between buyer and seller that some material representative of value is required at all; and, as I said, these are required, not as the measure, but as the representatives of the amount of value *already estimated or measured*. They are solely intended to secure to the seller the value of the article with which he has parted, by representing that value in something authoritatively stamped and attested as the legal warrant that the bearer of it is entitled to that amount of value, and may, therefore, possess himself of it in whatever articles of wealth he may desire, or he may lend these representatives of value to those who want to obtain such articles for use or traffic, receiving from the borrower some remuneration for the loan.

Should I have failed to make my meaning clear, or have stated anything apparently fallacious, I shall be glad to have it pointed out.

I am, Sir, your obedient Servant,

J. H. MACDONALD, Lieut.-Colonel.

Herne-hill, Feb. 6.

THE MONETARY REFORM COMMITTEE.

TO THE HON. THE COMMONS OF THE UNITED KINGDOM OF GREAT BRITAIN AND IRELAND IN PARLIAMENT ASSEMBLED:—

The humble Petition of the Monetary Reform Committee showeth,

That this Committee is of opinion that the existing laws for the regulation of our currency have produced great and frequent fluctuations in the amount of the circulating medium, and thereby caused periodical pressures and panics in the money market, highly prejudicial to trade and commerce, destructive of productive industry, and ruinous to national prosperity; and that no system of money can be satisfactory that does not restore gold to its natural character as a commodity, so that it may find its value in national paper-money under the law of supply and demand. In order to remedy these evils, the Committee humbly submit the following suggestions for the consideration of your honourable house:—

1. That notice should be given by Government to the Bank of England that its privileges, as they now exist, shall cease and determine at the expiration of twelve calendar months after such notice has been given.

2. That the existing debt due to the Bank of England by the Government, as it appears in the weekly returns of that establishment, shall be converted into a public stock, to be called the "Bank of England Redemption Stock," and by which the debt due to the Bank shall be discharged.

3. That in order to provide for the issue of a perfectly secure paper-money, the Exchequer be authorised to prepare what may be denominated Exchequer notes, of various amounts, from one pound and upwards.

4. That the National Exchequer note bear upon it the following inscription:—

"This note to pass current as legal tender, and be receivable for £1 in any of the public revenues, taxes, or supplies.

"Dated at the Exchequer, this day of , 1857.
(Signed) " , Comptroller."

5. That these notes be paid out by the Bank of England, or other office, under the authority of cheques, orders, or warrants, issued by the Treasury, on account of all salaries, pensions, pay of the army and navy, stores supplied to the state, and dividends payable to the public on the national debt.

6. That the amount of such notes to be issued be determined annually by Parliament; but in no case to exceed in each year the amount to be raised by that year's taxation.

7. That in order to secure the return of these notes in due course to be cancelled, the collectors of taxes and all other revenues shall be required to receive them in payment of all demands due to the state.

8. To facilitate transactions with foreign countries, a bullion office to be established, against which warrants of weight should be issued for sums not less than —— ounces. Such warrants to be duly stamped and registered might be remitted for payment of foreign accounts to obviate the cost of transit, insurance, &c.

9. That the Bank of England, joint-stock banks, and private bankers be permitted to issue notes payable on demand, under such regulations as shall

harmonise with the proposed plan, and under such guarantees for their safe convertibility as the wisdom of Parliament may deem necessary.

Your Committee further pray that your honourable house will in the course of the present session of Parliament institute a commission of inquiry for the purpose of ascertaining how far the present money laws are in conformity with the demands of commerce, trade, and the taxation of the country.

FRANCIS BENNOCH, Chairman.

THE END.

RICHARDSON BROTHERS, PRINTERS, 23, CORNHILL.

MCH 29840

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TITLE